Impacts of Generational Gap in Housing Asset Ownership on Consumption

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The share of the elderly in total housing assets has recently expanded, while those of the youth and the middle-age and prime-age group have declined. In other words, with the share of the generation with a small wealth effect (the elderly) increasing, and that of the generation with a large wealth effect (the middle-age and prime-age group) decreasing, the consumption boosting effects of higher housing prices may be limited. With this in mind, this paper analyzes recent changes in the generational structure of housing ownership using household microdata, and carries out an empirical analysis of the impacts of such changes on consumption using household panel data.

As the number of elderly households with housing assets increased rapidly between 2013 and 2017 due mainly to population aging, the share of these households in the total number of households with housing assets expanded. As for the middle-age and prime-age group, the number of households with housing assets increased, but the share decreased. Meanwhile, as for the youth, both the number and share of households with housing assets declined. Similarly, in terms of housing asset value, the share of the elderly with housing assets increased, while those of the youth and the middle-age and prime-age group decreased.

According to the results of an empirical analysis of households with housing assets, the wealth effects whereby higher housing prices lead to consumption growth are much smaller in the elderly group than in the middle-age and prime-age group. This seems to be based on the tendency that the elderly do not increase consumption in the face of potential gains from higher housing prices, but instead save in order to leave a bequest or to prepare for old age in line with longer life expectancies. Meanwhile, in the case of households without housing assets, higher housing prices are actually found to dampen consumption. The limiting effect on consumption is estimated to be greater in the youth and elderly groups, which have weaker income and employment conditions, than in the middle-age and prime-age group.

These analysis results indicate that the recent expansion in the share of the elderly in total housing assets could be working to limit the wealth effects of higher housing prices on consumption. Meanwhile, higher housing prices could have a negative wealth effect and drive down the consumption of households without housing assets in the youth and elderly groups in particular. These estimation results imply that changes in housing prices may not have great impacts on consumption.

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